

P-421/CI-87-631APPROVING TARIFF FILING AS MODIFIED

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of the Commission Initiated
Investigation of the Reasonableness of Dial-
Data Services Offered By Northwestern Bell
Telephone Company

ISSUE DATE: January 17, 1989

DOCKET NO. P-421/CI-87-631

ORDER APPROVING TARIFF FILING AS
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PROCEDURAL HISTORY

Dial Data is the general term for the connection and billing services Northwestern Bell Telephone Company (NWB or the Company) supplies to Information Providers (IP). Through the telephone system, IPs provide callers with information (i.e. sports, gardening, finance) for a fee. The fee is collected by NWB through a caller's telephone bill and turned over to the IP.

In earlier Orders in this docket, the Commission required that when requested by a subscriber, access to IPs could be blocked from a telephone line. The Commission required that blocking service be offered without charge to subscribers.

On May 31, 1988, NWB filed proposed tariff sheets to reprice Dial Data Service. The proposed rates to be charged to IPs were based on new cost studies and included the costs associated with blocking. The Company also requested several minor changes: changing the service name to 976 Information Delivery Service; eliminating the one year service requirement; requiring that IPs maintain a local or toll free number for customers to call to resolve disputes, and removing the per call billing maximum of \$9.99 per call.

The Minnesota Department of Public Service (DPS or the Department) filed comments on NWB's proposal on June 30, 1988. The DPS recommended that NWB have a uniform rate structure where Dial Data service is offered and that NWB give IPs a period of time in which to change their service charges before NWB's proposed rates go into effect.

NWB agreed to these recommendations and filed a revised proposal on July 21, 1988.

On August 19, 1988, System Dynamics, Inc., an IP, filed comments stating that the proposed rates were excessive and that the Company should be required to use a tracking system to ensure that all

revenues are accounted for.

The University of Minnesota filed comments on August 9, 1988 recommending that: the Commission grant the tariff for a specific time and then require NWB to refile its rates; not allow NWB to require IPs to list a toll free or local number because it would encourage attempts to bypass the revenue producing number; and not allow NWB to place the costs of switching upgrades on IPs.

NWB responded to these comments on December 12, 1988.

The Commission met on January 11, 1989 to consider this matter.

FINDINGS AND CONCLUSIONS

The Commission must decide whether the proposed tariff changes which are not related to price are reasonable.

The Commission finds that the Company's proposed tariff changes which are not related to price are reasonable. The proposed name change is more descriptive of the service as it has come to be referred to both locally and nationally. Requiring IPs to maintain a local or toll free number will allow customers to contact IPs directly about the information service that concerns them. This will help to insulate NWB from concerns customers may have about the content/charges of specific information services. Eliminating the minimum contract period is appropriate as the Company has recovered the majority of the start-up costs it incurred to institute the service. Finally, removing the per call billing maximum is reasonable in light of the requirement that blocking be made available to all customers upon request at no charge. Those customers who do not avail themselves of the protections of blocking or the Company's refund policy should be held responsible for calls made.

The Commission must next decide whether the Company's proposed rates will result in fair and reasonable rates as required by Minn. Stat. Sec. 237.06 (1988).

The Commission finds that the Company's proposed rates are essentially cost based. The changes reflect two important cost changes and the market characteristics of different areas within the state. NWB supported its proposed rate changes with two cost studies. One identified the recurring and non-recurring costs of providing blocking. The second study incorporated the costs of blocking into the costs of providing Dial Data Service. The Company's costs for providing Dial Data service have increased significantly due to the requirement that Dial Data rates recover the costs of blocking access requested by customers. Offsetting the increase is the savings NWB will experience from the full recovery of the initial start-up investment.

The Commission finds that the blocking service provided to customers is a major cost component of Dial Data. Blocking costs are largely non-recurring in that the majority of the costs are incurred when customers request blocking. Usually, it is preferable to recover non-recurring costs through one-time charges, imposed when the cost is actually incurred, or through monthly charges which

permit recouping large non-recurring costs over time.

In this instance, however, it is not feasible to design one-time or monthly charges which would be high enough to recover the costs of blocking in an economical manner. The Commission recognizes that the non-recurring costs of blocking need to be collected, but the Commission believes that following a strong initial interest in blocking there may be relatively few requests for blocking. This would result in IPs paying higher than necessary rates after the non-recurring costs have been recovered. Therefore, the Commission will approve the proposed rates but will require the Company to make a filing in three years to demonstrate that the rates approved here are still reasonable or to propose new rates that are reasonable. The Commission finds that the Company's revised rates with a three year reporting requirement are reasonable and will approve the tariff as modified.

ORDER

1. The Company's revised filing is hereby approved.
2. The Company shall submit a filing in three years demonstrating that the rates approved here are still reasonable or propose new rates that are reasonable.
3. The Company shall file revised tariff pages within 10 days reflecting the decisions made here.

4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)